

**§615.5132**

**12 CFR Ch. VI (1–1–13 Edition)**

payment and calculated under specified prepayment assumptions.

(1) *You* means a Farm Credit bank, association, or service corporation.

[64 FR 28895, May 28, 1999, as amended at 70 FR 51589, Aug. 31, 2005]

EFFECTIVE DATE NOTE: At 77 FR 66370, Nov. 5, 2012, §615.5131 was amended by removing designations for paragraphs (a) through (l) and maintaining alphabetical order; removing the reference to “615.5131(h)” from the definition for “asset-backed securities (ABS)” and adding in its place the words “this section”; and adding in alphabetical order definitions for “government agency” and “government-sponsored agency”, effective 30 days after publication in the FEDERAL REGISTER during which either or both Houses of Congress are in session. For the convenience of the user, the added text is set forth as follows:

**§615.5131 Definitions.**

\* \* \* \* \*

*Government agency* means the United States Government or an agency, instrumentality, or corporation of the United States Government whose obligations are fully and explicitly insured or guaranteed as to the timely repayment of principal and interest by the full faith and credit of the United States Government.

*Government-sponsored agency* means an agency, instrumentality, or corporation chartered or established to serve public purposes specified by the United States Congress but whose obligations are not fully and explicitly insured or guaranteed by the full faith and credit of the United States Government, including but not limited to any Government-sponsored enterprise.

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**§615.5132 Investment purposes.**

Each Farm Credit bank is allowed to hold eligible investments, listed under §615.5140, in an amount not to exceed 35 percent of its total outstanding loans, to comply with the liquidity reserve requirement of §615.5134, manage surplus short-term funds, and manage interest rate risk under §615.5135.

[70 FR 51589, Aug. 31, 2005]

EFFECTIVE DATE NOTE: At 77 FR 66370, Nov. 5, 2012, §615.5132 was revised, effective 30 days after publication in the FEDERAL REGISTER during which either or both Houses of Congress are in session. For the convenience of

the user, the revised text is set forth as follows:

**§615.5132 Investment purposes.**

(a) Each Farm Credit bank may hold eligible investments, listed under §615.5140, in an amount not to exceed 35 percent of its total outstanding loans, to comply with its liquidity requirements in §615.5134, manage surplus short-term funds, and manage interest rate risk under §615.5180. To comply with this calculation, the 30-day average daily balance of investments is divided by loans. Investments are calculated at amortized cost. Loans are calculated as defined in §615.5131. For the purpose of this calculation, loans include accrued interest and do not include any allowance for loan loss adjustments. Compliance with the calculation is measured on the last day of every month.

(b) The following investments may be excluded when calculating the amount of eligible investments held by the Farm Credit bank pursuant to §615.5132(a):

(1) Eligible investments listed under §615.5140 that are pledged by a Farm Credit bank to meet margin requirements for derivative transactions; and

(2) Any other investments FCA determines are appropriate for exclusion.

**§615.5133 Investment management.**

(a) *Responsibilities of Board of Directors.* Your board must adopt written policies for managing your investment activities. Your board of directors must also ensure that management complies with these policies and that appropriate internal controls are in place to prevent loss. Annually, the board of directors must review these investment policies and make any changes that are needed.

(b) *Investment policies.* Your board’s written investment policies must address the purposes and objectives of investments, risk tolerance, delegations of authority, and reporting requirements. Investment policies must be appropriate for the size, types, and risk characteristics of your investments.

(c) *Risk tolerance.* Your investment policies must establish risk limits and diversification requirements for the various classes of eligible investments and for the entire investment portfolio. These policies must ensure that you maintain appropriate diversification of your investment portfolio. Risk limits must be based on your institutional objectives, capital position, and risk tolerance. Your policies must identify the